FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

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TO : Department of State

FROM : AOS 224 October 17, 1950 1950 OCT 25 AM 9 25

REF : OCT61

SUBJECT : SECOND AND THIRD THREE MONTHS ECONOMIC REPORT - NIGERIA.

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Economic conditions remained relatively unchanged during the second quarter of 1950 except for a tendency toward increasing prices and a steady trend toward wage increase following the 12½% cost of living grant made to Government employees earlier in the year.

Imports and exports although statistics are not available compared favorably with those of the same period in 1950.

The third quarter was characterized by greater pressure for wage increases and a continued upward price trend. The Korean War is just beginning to make its effect and it is generally expected that very steep price increases will take place within a short period.

Agriculture

Rains during the early growing season were light causing all crops to be late. This dry period was followed in the North by abnormally heavy rains. It is not, expected, therefore, that the groundnut crop will be better than average this year. Generally crop prospects are not favorable but are better than might be expected. Cotton is the only crop expected to exceed last season.

The shortage of foodstuffs is becoming more and more acute causing concern to the authorities. The relatively high prices paid for export crops has discouraged the cultivation of food crops. The Department of Agriculture is attempting to encourage the production of such crops. Prices of foodstuffs are, however, rising which is one reason for demands for increased wages.

During the third quarter of 1950 prices were announced for cocoa, groundnuts, and cotton for the coming season. The Cocoa Marketing Board announced the following prices for export:

Price(per long ton of 2240 lbs)

	Main Crop	Light Crop
Grade I	£120	£115
Grade II	£110	£105

The Cotton Marketing Board announced the following prices for cotton:

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Grade		Price per pound
NA- I	....	4d
NA- II	....	3.9d
NA-III	....	3.5d

The Groundnut Marketing Board announced the following prices for groundnut and benniseed:

Groundnuts:	Price (per long ton of 2240 lbs)
Kano Area	£21-4-0d
River Area	20-0-0d
Benniseed:	£20-0-0d.

These prices were greater than an earlier decision cited owing to the reduced purchasing power in the Northern Region caused by a below average crop last year and poor prospects for the coming crop. Consideration was also given to the 12½% wage increase granted Government employees last February as well as the increased cost of imports.

Finance

In April, 1950, the Nigerian budget for 1950-1951 was approved by the Legislative Council calling for a budget of £30,168,040 for this fiscal year compared to £29,503,200 in 1949-1950.

It has become apparent that the reserves of the Palm Oil Marketing Board are not satisfactory to meet its responsibilities (stabilization of prices and development). This is in contrast to the very large reserves of the other marketing boards.

Labor

The two major events in the field of labor during the six-month period under consideration was the issuance of the Fitzgerald Report on the Enugu collieries incident in the fall of 1949 and the United Africa strike early in August.

The United Africa strike ended when both parties agreed to arbitration. This arbitration was completed in late September but the decision is not yet known.

Wage increases were general during the period, the most notable being granted the railway and mining workers. The railways were forced to increase fares and rates 10% effective September 17th to offset the added expens-

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Shipping

The port of Lagos was congested with a long waiting period for ships up until early September. The decrease in activity is caused by the fact that all of last year's export crops have been shipped and the new crops are not yet ready for shipment.

Imports and Exports

Imports during the first three months totaled £13,274,039 and exports £19,750,350.

Summary

The second and third quarters of 1950 revealed increasing inflationary pressures caused initially by the effects of the devaluation of last fall to which the Korean conflicted added impetus. Initial effects are being felt in the supply situation owing to the Korean War and since Nigeria depends so much on imports there may be deterieration in the supply situation in the next few months.

Willard Quincy Stanton
American Consul General

Sources:

Publications
Nigerian Officials.

Copy to Office of the Administration's Special Representative, Economic Cooperation Administration, % American Embassy, Paris.

Copy to American Embassy, London.

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